



ANNUAL STATEMENT
For the Year Ending December 31, 2006
OF THE CONDITION AND AFFAIRS OF THE
HealthPlus of Michigan, Inc.

NAIC Group Code	3409 (Current Period)	3409 (Prior Period)	NAIC Company Code	95580	Employer's ID Number	38-2160688
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	08/09/1977		Commenced Business	10/15/1979		
Statutory Home Office	2050 South Linden Road (Street and Number)		Flint, MI 48532 (City, or Town, State and Zip Code)			
Main Administrative Office			2050 South Linden Road (Street and Number)		Flint, MI 48532 (City or Town, State and Zip Code)	
			(800)332-9161 (Area Code) (Telephone Number)			
Mail Address	2050 South Linden Road, P.O. Box 1700 (Street and Number or P.O. Box)		Flint, MI 48501-1700 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			2050 South Linden Road (Street and Number)		Flint, MI 48532 (City, or Town, State and Zip Code)	
			(800)332-9161 (Area Code) (Telephone Number)			
Internet Website Address	www.healthplus.org					
Statutory Statement Contact	Matthew Andrew Mendrygal, C.P.A. (Name)		(810)230-2179 (Area Code)(Telephone Number)(Extension)			
	mmendryg@healthplus.com (E-Mail Address)		(810)733-8966 (Fax Number)			
Policyowner Relations Contact			2050 South Linden Road, P.O. Box 1700 (Street and Number)		Flint, MI 48501-1700 (City, or Town, State and Zip Code)	
			(800)332-9161 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
David Paul Crosby	President
Matthew Andrew Mendrygal C.P.A.	Chief Financial Officer
Vernon Lee Burns	Treasurer

OTHERS

Dan Ellis Champney Esq., Vice President - Human Resources/General Counsel
Laraine Bernadette Yapo, Vice President - Health Care Services
John Jacob Saalwaechter MD,MBA,CPE, Vice President - Chief Medical Officer
Dona Marie Kyle RN, BSN, Vice President - Medical Management

Bruce Robert Hill, Vice President - Health System/Purchaser Relations
Christine Marie Tomcala, Vice President - Gov't Programs/Member Services
Nancy Susan Jenkins, Vice President - Sales/Product Development

DIRECTORS OR TRUSTEES

State of	Michigan	ss
County of	Genesee	
	Jack Louis Barry MD Harold Leslie Mallon DDS Gerald Edward Piesko DO James Joseph Wascha Esq. Stephanie Lynn Whisiker-Lewis DO Patrick Allen Campbell Roger LaVerne Sharp Amy Diane Farmer	Vernon Lee Burns Penelope Drake Pestronk Peggy Joyce Tortorice James Michael Van Tiflin Christopher John Flores Larry Leigh Carr DO Miles Conrad Owens Duane Edward Zuckschwerdt #

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) David Paul Crosby (Printed Name) 1. President (Title)	(Signature) Matthew Andrew Mendrygal (Printed Name) 2. Chief Financial Officer (Title)	(Signature) Vernon Lee Burns (Printed Name) 3. Treasurer (Title)
Subscribed and sworn to before me this day of , 2007	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[X] No[]
(Notary Public Signature)		

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	3,488,460		3,488,460	3,515,880
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks	19,111,631		19,111,631	8,819,414
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)	5,469,427		5,469,427	4,832,170
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....1,279,914 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....92,202,339 Schedule DA)	93,482,252		93,482,252	79,417,560
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)	12,264,507		12,264,507	9,043,033
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	133,816,277		133,816,277	105,628,057
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	458,413		458,413	325,323
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection	1,627,692	12,811	1,614,881	2,566,548
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers	271,270		271,270	
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software	3,254,948	2,195,193	1,059,755	1,087,661
19.	Furniture and equipment, including health care delivery assets (\$.....0)	950,332	950,332		126,783
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	326,666		326,666	166,431
22.	Health care (\$.....3,111,695) and other amounts receivable	3,147,317	461,094	2,686,223	4,351,743
23.	Aggregate write-ins for other than invested assets	1,183,806	1,183,806		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	145,036,721	4,803,236	140,233,485	114,252,546
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	145,036,721	4,803,236	140,233,485	114,252,546
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Prepaid Expenses	1,183,806	1,183,806		
2302.	.....			
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,183,806	1,183,806		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)	49,935,247		49,935,247	45,889,103
2.	Accrued medical incentive pool and bonus amounts	18,485,047		18,485,047	13,850,266
3.	Unpaid claims adjustment expenses	948,411		948,411	582,312
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	1,654,740		1,654,740	2,328,089
9.	General expenses due or accrued	6,128,222		6,128,222	4,579,572
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others	60,915		60,915	74,780
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	140,781		140,781	
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans				
21.	Aggregate write-ins for other liabilities (including \$.....4,724,999 current)	4,724,999		4,724,999	2,041,820
22.	Total liabilities (Lines 1 to 21)	82,078,362		82,078,362	69,345,942
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X		
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	170,511	170,511
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	57,984,612	44,736,093
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	58,155,123	44,906,604
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	140,233,485	114,252,546
DETAILS OF WRITE-INS					
2101.	Other Current Liabilities	24,999		24,999	41,820
2102.	FEHBP Audit Redetermination	3,500,000		3,500,000	2,000,000
2103.	Medicare Part D settlement	1,200,000		1,200,000	
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	4,724,999		4,724,999	2,041,820
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,145,557	1,208,409
2.	Net premium income (including \$.....0 non-health premium income)	X X X	402,271,797	389,252,895
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	402,271,797	389,252,895
Hospital and Medical:				
9.	Hospital/medical benefits		241,396,009	244,179,913
10.	Other professional services			
11.	Outside referrals			
12.	Emergency room and out-of-area		12,136,510	13,200,648
13.	Prescription drugs		85,885,744	80,170,112
14.	Aggregate write-ins for other hospital and medical		180,559	(2,051,841)
15.	Incentive pool, withhold adjustments and bonus amounts		19,378,723	14,737,576
16.	Subtotal (Lines 9 to 15)		358,977,545	350,236,408
Less:				
17.	Net reinsurance recoveries		271,270	
18.	Total hospital and medical (Lines 16 minus 17)		358,706,275	350,236,408
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....7,383,333 cost containment expenses		10,810,102	8,441,249
21.	General administrative expenses		26,637,196	22,248,960
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		396,153,573	380,926,617
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	6,118,224	8,326,278
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		3,880,293	2,502,944
26.	Net realized capital gains (losses) less capital gains tax of \$.....0		(13,007)	(31)
27.	Net investment gains (losses) (Lines 25 plus 26)		3,867,286	2,502,913
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses		32,341	28,156
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	10,017,851	10,857,347
31.	Federal and foreign income taxes incurred	X X X		
32.	Net income (loss) (Lines 30 minus 31)	X X X	10,017,851	10,857,347
DETAILS OF WRITE-INS				
0601.	.....	X X X		
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Other Medical Expense		180,559	672
1402.	Risk Sharing Receivables			(2,052,513)
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		180,559	(2,051,841)
2901.	Other Revenue		32,341	28,156
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		32,341	28,156

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	44,906,604	33,437,873
34.	Net income or (loss) from Line 32	10,017,851	10,857,347
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	3,999,699	1,238,676
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	(769,031)	(627,292)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		
48.	Net change in capital and surplus (Lines 34 to 47)	13,248,519	11,468,731
49.	Capital and surplus end of reporting year (Line 33 plus 48)	58,155,123	44,906,604
DETAILS OF WRITE-INS			
4701.	.....	
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	405,237,304	387,235,085
2.	Net investment income	3,747,135	2,328,771
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	408,984,439	389,563,856
5.	Benefit and loss related payments	348,210,325	337,207,305
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	34,175,599	28,290,527
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	382,385,924	365,497,832
11.	Net cash from operations (Line 4 minus 10)	26,598,515	24,066,024
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	490,313	500,000
12.2	Stocks	162,001	3,248,622
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		0
12.8	Total investment proceeds (Lines 12.1 to 12.7)	652,314	3,748,622
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	478,820	
13.2	Stocks	9,673,005	3,426,558
13.3	Mortgage loans		
13.4	Real estate	1,053,087	83,160
13.5	Other invested assets		
13.6	Miscellaneous applications		0
13.7	Total investments acquired (Lines 13.1 to 13.6)	11,204,912	3,509,718
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(10,552,598)	238,904
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(1,981,225)	(1,659,977)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,981,225)	(1,659,977)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	14,064,692	22,644,951
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	79,417,560	56,772,609
19.2	End of year (Line 18 plus Line 19.1)	93,482,252	79,417,560

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001			
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UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical)	306,905,109		244,215	306,660,894
2.	Medicare Supplement				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan	4,515,584		4,977	4,510,607
6.	Title XVIII - Medicare	44,262,888		7,277	44,255,611
7.	Title XIX - Medicaid				
8.	Stop loss				
9.	Disability income				
10.	Long-term care				
11.	Other health	46,844,685			46,844,685
12.	Health subtotal (Lines 1 through 11)	402,528,266		256,469	402,271,797
13.	Life				
14.	Property/casualty				
15.	TOTALS (Lines 12 to 14)	402,528,266		256,469	402,271,797

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

6

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	333,466,382	254,636,060				4,996,382	36,934,885					36,899,055	
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net	333,466,382	254,636,060				4,996,382	36,934,885					36,899,055	
2. Paid medical incentive pools and bonuses	14,743,942	14,025,691				533,205	185,046						
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	49,935,247	36,602,245				861,057	7,904,019					4,567,926	
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net	49,935,247	36,602,245				861,057	7,904,019					4,567,926	
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct													
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net													
5. Accrued medical incentive pools and bonuses, current year	18,485,047	17,862,426				56,809	565,812						
6. Net healthcare receivables (a)	(2,086,295)	(2,109,317)					23,022						
7. Amounts recoverable from reinsurers December 31, current year	271,270	271,270											
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	45,889,102	33,076,027				762,937	8,650,583					3,399,555	
8.2 Reinsurance assumed													
8.3 Reinsurance ceded													
8.4 Net	45,889,102	33,076,027				762,937	8,650,583					3,399,555	
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct													
9.2 Reinsurance assumed													
9.3 Reinsurance ceded													
9.4 Net													
10. Accrued medical incentive pools and bonuses, prior year	13,850,266	13,121,256				533,205	195,805						
11. Amounts recoverable from reinsurers December 31, prior year													
12. Incurred benefits:													
12.1 Direct	339,598,822	260,271,595				5,094,502	36,165,299					38,067,426	
12.2 Reinsurance assumed													
12.3 Reinsurance ceded	271,270	271,270											
12.4 Net	339,327,552	260,000,325				5,094,502	36,165,299					38,067,426	
13. Incurred medical incentive pools and bonuses	19,378,723	18,766,861				56,809	555,053						

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

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	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct	20,651,579	15,796,642				465,264	3,927,979					461,694	
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net	20,651,579	15,796,642				465,264	3,927,979					461,694	
2. Incurred but Unreported:													
2.1 Direct	23,609,659	16,726,246				323,319	2,453,862					4,106,232	
2.2 Reinsurance assumed													
2.3 Reinsurance ceded													
2.4 Net	23,609,659	16,726,246				323,319	2,453,862					4,106,232	
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct	5,674,009	4,079,357				72,474	1,522,178						
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net	5,674,009	4,079,357				72,474	1,522,178						
4. TOTALS													
4.1 Direct	49,935,247	36,602,245				861,057	7,904,019					4,567,926	
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net	49,935,247	36,602,245				861,057	7,904,019					4,567,926	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical)	28,527,448	233,584,238	975,529	35,626,716	29,502,977	33,076,027
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan	494,437	4,501,945	61,370	799,687	555,807	762,937
6.	Title XVIII - Medicare	7,177,611	30,036,650	247,276	7,656,743	7,424,887	8,650,583
7.	Title XIX - Medicaid						
8.	Other health	2,829,367	34,069,688	25,199	4,542,727	2,854,566	3,399,555
9.	Health subtotal (Lines 1 to 8)	39,028,863	302,192,521	1,309,374	48,625,873	40,338,237	45,889,102
10.	Healthcare receivables (a)	4,736,148	3,290,122	458,546	2,653,150	5,194,694	5,197,991
11.	Other non-health						
12.	Medical incentive pool and bonus amounts	13,254,083	1,489,852	3,563,023	14,922,024	16,817,106	13,850,266
13.	TOTALS (Lines 9 - 10 + 11 + 12)	47,546,798	300,392,251	4,413,851	60,894,747	51,960,649	54,541,377

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	39,069				
2.	2002	327,425	47,986			
3.	2003	X X X	263,309	38,795		
4.	2004	X X X	X X X	290,364	35,055	
5.	2005	X X X	X X X	X X X	302,150	47,546
6.	2006	X X X	X X X	X X X	X X X	300,393

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	40,445				
2.	2002	372,217	45,783			
3.	2003	X X X	302,901	39,410		
4.	2004	X X X	X X X	334,394	40,090	
5.	2005	X X X	X X X	X X X	356,857	52,419
6.	2006	X X X	X X X	X X X	X X X	363,940

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	395,280	375,414	2,083	0.555	377,497	95.501			377,497	95.501
2.	2003	328,699	302,105	5,585	1.849	307,690	93.608			307,690	93.608
3.	2004	365,473	325,421	6,537	2.009	331,958	90.830			331,958	90.830
4.	2005	389,341	349,697	9,122	2.609	358,819	92.161	4,873		363,692	93.412
5.	2006	402,529	300,393	9,252	3.080	309,645	76.925	63,547	948	374,140	92.947

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	27,854				
2.	2002	186,715	35,555			
3.	2003	X X X	214,214	32,163		
4.	2004	X X X	X X X	225,910	25,553	
5.	2005	X X X	X X X	X X X	233,330	36,803
6.	2006	X X X	X X X	X X X	X X X	231,587

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	29,234				
2.	2002	218,707	33,794			
3.	2003	X X X	246,748	33,467		
4.	2004	X X X	X X X	259,248	29,941	
5.	2005	X X X	X X X	X X X	275,074	41,094
6.	2006	X X X	X X X	X X X	X X X	281,761

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	234,301	222,273	1,358	0.611	223,631	95.446			223,631	95.446
2.	2003	263,387	246,378	4,494	1.824	250,872	95.248			250,872	95.248
3.	2004	279,765	251,464	5,046	2.007	256,510	91.688			256,510	91.688
4.	2005	295,855	270,133	6,971	2.581	277,104	93.662	4,291		281,395	95.112
5.	2006	306,905	281,761	6,994	2.482	288,755	94.086	50,174	739	339,668	110.675

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Federal Employees Health Benefits Plan Premiums
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	439				
2.	2002	3,174	668			
3.	2003	X X X	4,069	839		
4.	2004	X X X	X X X	5,046	941	
5.	2005	X X X	X X X	X X X	3,597	1,028
6.	2006	X X X	X X X	X X X	X X X	4,502

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	217				
2.	2002	3,839	405			
3.	2003	X X X	4,915	839		
4.	2004	X X X	X X X	6,227	1,181	
5.	2005	X X X	X X X	X X X	4,653	1,089
6.	2006	X X X	X X X	X X X	X X X	5,358

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	4,308	3,842	27	0.703	3,869	89.810			3,869	89.810
2.	2003	5,624	4,908	99	2.017	5,007	89.029			5,007	89.029
3.	2004	7,413	5,987	125	2.088	6,112	82.450			6,112	82.450
4.	2005	3,982	4,625	110	2.378	4,735	118.910	61		4,796	120.442
5.	2006	4,516	4,502	128	2.843	4,630	102.524	856		5,486	121.479

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	2,860				
2.	2002	18,787	3,651			
3.	2003	X X X	19,480	3,121		
4.	2004	X X X	X X X	30,838	6,067	
5.	2005	X X X	X X X	X X X	33,039	6,886
6.	2006	X X X	X X X	X X X	X X X	30,234

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	3,025				
2.	2002	22,309	3,589			
3.	2003	X X X	22,896	3,253		
4.	2004	X X X	X X X	37,345	6,379	
5.	2005	X X X	X X X	X X X	41,574	7,382
6.	2006	X X X	X X X	X X X	X X X	38,208

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	24,787	22,438	140	0.624	22,578	91.088			22,578	91.088
2.	2003	26,365	22,601	472	2.088	23,073	87.514			23,073	87.514
3.	2004	41,883	36,905	752	2.038	37,657	89.910			37,657	89.910
4.	2005	47,258	39,925	1,173	2.938	41,098	86.965	496		41,594	88.015
5.	2006	44,263	30,234	1,011	3.344	31,245	70.589	7,974	122	39,341	88.880

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	5,348				
2.	2002	96,877	5,346			
3.	2003	X X X		80		
4.	2004	X X X	X X X			
5.	2005	X X X	X X X	X X X		
6.	2006	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	5,366				
2.	2002	102,571	5,195			
3.	2003	X X X		(763)		
4.	2004	X X X	X X X		66	
5.	2005	X X X	X X X	X X X		
6.	2006	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	103,709	102,223	405	0.396	102,628	98.958			102,628	98.958
2.	2003	13	80			80	615.385			80	615.385
3.	2004										
4.	2005										
5.	2006										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	2,568				
2.	2002	21,872	2,766			
3.	2003	X X X	25,546	2,592		
4.	2004	X X X	X X X	28,570	2,494	
5.	2005	X X X	X X X	X X X	32,184	2,829
6.	2006	X X X	X X X	X X X	X X X	34,070

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	2,603				
2.	2002	24,791	2,800			
3.	2003	X X X	28,342	2,614		
4.	2004	X X X	X X X	31,574	2,523	
5.	2005	X X X	X X X	X X X	35,556	2,855
6.	2006	X X X	X X X	X X X	X X X	38,612

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	28,175	24,638	154	0.625	24,792	87.993			24,792	87.993
2.	2003	33,310	28,138	520	1.848	28,658	86.034			28,658	86.034
3.	2004	36,412	31,065	614	1.977	31,679	87.002			31,679	87.002
4.	2005	42,246	35,013	868	2.479	35,881	84.933	26		35,907	84.995
5.	2006	46,845	34,070	1,119	3.284	35,189	75.118	4,542	87	39,818	84.999

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Unearned premium reserves												
2. Additional policy reserves (a)												
3. Reserve for future contingent benefits												
4. Reserve for rate credits or experience rating refunds (including \$#####) for investment income												
5. Aggregate write-ins for other policy reserves												
6. Totals (gross)												
7. Reinsurance ceded												
8. Totals (Net) (Page 3, Line 4)												
9. Present value of amounts not yet due on claims												
10. Reserve for future contingent benefits												
11. Aggregate write-ins for other claim reserves												
12. Totals (gross)												
13. Reinsurance ceded												
14. Totals (Net) (Page 3, Line 7)												
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page ...												
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)												
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page .												
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)												

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building) .....	.....	.....	194,932	.....	194,932
2.	Salaries, wages and other benefits	2,804,705	2,134,277	25,837,448	.....	30,776,430
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed) .....	.....	.....	1,286,384	.....	1,286,384
4.	Legal fees and expenses .....	.....	.....	183,907	.....	183,907
5.	Certifications and accreditation fees .....	.....	.....	.....	.....	.....
6.	Auditing, actuarial and other consulting services .....	.....	.....	755,927	.....	755,927
7.	Traveling expenses	50,695	18,270	640,766	.....	709,731
8.	Marketing and advertising	12,703	324	2,776,418	.....	2,789,445
9.	Postage, express and telephone	77,439	194,244	818,439	.....	1,090,122
10.	Printing and office supplies	88,621	24,023	1,161,054	.....	1,273,698
11.	Occupancy, depreciation and amortization	66	.....	1,304,007	.....	1,304,073
12.	Equipment .....	.....	.....	235,618	.....	235,618
13.	Cost or depreciation of EDP equipment and software	280,104	482,992	2,363,110	.....	3,126,206
14.	Outsourced services including EDP, claims, and other services	3,676,349	286,969	2,322,966	.....	6,286,284
15.	Boards, bureaus and association fees	7,992	16,387	264,504	.....	288,883
16.	Insurance, except on real estate .....	.....	.....	547,848	.....	547,848
17.	Collection and bank service charges .....	.....	.....	86,195	31,466	117,661
18.	Group service and administration fees .....	.....	.....	.....	.....	.....
19.	Reimbursements by uninsured plans .....	.....	.....	.....	.....	.....
20.	Reimbursements from fiscal intermediaries .....	.....	.....	.....	.....	.....
21.	Real estate expenses .....	.....	.....	.....	112,543	112,543
22.	Real estate taxes .....	.....	.....	180,000	.....	180,000
23.	Taxes, licenses and fees:	.....	.....	.....	.....	.....
	23.1 State and local insurance taxes .....	.....	.....	.....	.....	.....
	23.2 State premium taxes .....	.....	.....	.....	.....	.....
	23.3 Regulator authority licenses and fees .....	.....	.....	.....	.....	.....
	23.4 Payroll taxes	264,430	212,079	1,236,914	.....	1,713,423
	23.5 Other (excluding federal income and real estate taxes) .....	.....	.....	4,600	.....	4,600
24.	Investment expenses not included elsewhere .....	.....	.....	.....	.....	.....
25.	Aggregate write-ins for expenses	120,229	57,204	(15,563,843)	.....	(15,386,410)
26.	Total expenses incurred (Lines 1 to 25)	7,383,333	3,426,769	26,637,194	144,009	(a) 37,591,305
27.	Less expenses unpaid December 31, current year	493,174	455,237	6,128,222	.....	7,076,633
28.	Add expenses unpaid December 31, prior year	372,680	209,632	4,579,572	.....	5,161,884
29.	Amounts receivable relating to uninsured plans, prior year .....	.....	.....	.....	.....	.....
30.	Amounts receivable relating to uninsured plans, current year .....	.....	.....	.....	.....	.....
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	7,262,839	3,181,164	25,088,544	144,009	35,676,556
DETAILS OF WRITE-INS						
2501.	Conferences, Seminars, and Training	28,213	25,257	259,092	.....	312,562
2502.	Charitable Contributions .....	.....	.....	295,436	.....	295,436
2503.	Affiliates Administrative Allocation .....	.....	.....	(16,908,895)	.....	(16,908,895)
2598.	Summary of remaining write-ins for Line 25 from overflow page	92,016	31,947	790,524	.....	914,487
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	120,229	57,204	(15,563,843)	.....	(15,386,410)

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 77,250	..... 77,303
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a)..... 117,593	..... 100,540
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated) .....	..... 299,253	..... 296,308
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d)..... 127,080	..... 127,080
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e)..... 3,872,674	..... 4,023,071
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	..... 4,493,850	..... 4,624,302
11.	Investment expenses		(g)..... 144,009
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h)..... 600,000
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income .....		.....
16.	Total deductions (Lines 11 through 15) .....		..... 744,009
17.	Net Investment income (Line 10 minus Line 16) .....		..... 3,880,293
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$.....2,635 accrual of discount less \$.....2,567 amortization of premium and less \$.....2,708 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....	.....	.....	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....
1.2	Other bonds (unaffiliated) .....	..... (15,996)	.....	.....	..... (15,996)
1.3	Bonds of affiliates .....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	..... 2,989	.....	..... 740,614	..... 743,603
2.21	Common stocks of affiliates .....	.....	.....	..... 37,609	..... 37,609
3.	Mortgage loans .....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....
8.	Other invested assets .....	.....	.....	..... 3,221,476	..... 3,221,476
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	..... (13,007)	.....	..... 3,999,699	..... 3,986,692
DETAILS OF WRITE-INS					
0901.	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection	12,811		(12,811)
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset			
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software	2,195,193	1,684,226	(510,967)
19.	Furniture and equipment, including health care delivery assets	950,332	380,347	(569,985)
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates			
22.	Health care and other amounts receivable	461,094	908,546	447,452
23.	Aggregate write-ins for other than invested assets	1,183,806	1,061,086	(122,720)
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4,803,236	4,034,205	(769,031)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	4,803,236	4,034,205	(769,031)
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	Prepaid Expenses	1,183,806	1,061,086	(122,720)
2302.	.....		
2303.	.....		
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,183,806	1,061,086	(122,720)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	91,657	90,319	89,387	88,508	87,654	1,071,654
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service	7,612	6,159	6,103	6,173	6,281	73,903
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	99,269	96,478	95,490	94,681	93,935	1,145,557
DETAILS OF WRITE-INS							
0601.	.....					
0602.	.....					
0603.	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statement

1. Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of HealthPlus of Michigan, Inc. (the Company) have been prepared in conformity with the 2006 NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual as of March 2006, to the extent that the accounting practices, procedures, and reporting standards are not modified by the Michigan Insurance Code or the 2006 Forms and Instructions for Required Filings in Michigan.

B. Management Estimates

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premium revenue is recognized in the month that members are entitled to health care services. The liability for incurred medical and hospital claims is accrued in the period during which the services are provided and includes estimates of services performed, which have not been reported to the Company.

The Company reports the value of its home office building at depreciated cost on Schedule A - Part 1. The fair value reported on Schedule A - Part 1 is based on a market analysis prepared for the Company by Mr. Winfield Cooper, President, Cooper Commercial, dated May 31, 2002.

In addition, the company uses the following accounting policies:

- 1) Short Term Investments are stated at amortized cost.
- 2) Bonds not backed by other loans are principally stated at amortized cost using the Seriatim Method.
- 3) Common Stocks are reported at market value.
- 4) The Company has no Preferred Stocks to report.
- 5) The Company has no mortgage loans to report.
- 6) Loan Backed Securities are stated at amortized cost. The Scientific Prospective method of amortization is applied.
- 7) The Company carries its investment in HealthPlus Partners, Inc. and HealthPlus Insurance Company at Statutory Equity, and its investment in HealthPlus Options at audited GAAP equity.
- 8) The Company has no ownership interests in joint ventures or limited liability companies.
- 9) The Company has no derivatives to report.
- 10) The Company has not calculated any premium deficiency reserves.
- 11) Unpaid claims include amounts determined from individual case estimates and amounts based on past experiences, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- 12) The Company has not modified its capitalization policy from the prior period.
- 13) Estimated pharmaceutical rebate receivables are based primarily on historical trends.

Notes to Financial Statement

2. Accounting Changes and Corrections of Errors

A. Accounting changes and corrections of errors.

The Company did not discover any material errors or make any material changes in accounting principles during the Year Ended December 31, 2006.

B. Cumulative effect of changes in accounting principles as a result of the initial implementation of Codification.

The State of Michigan had elected to phase-in the implementation of the NAIC Accounting Practices and Procedures Manual effective January 1, 2001 (Codification), starting with the first quarter of 2003 as it relates to certain SSAP's. Effective January 1, 2006, the requirements of all SSAP's have been adopted.

3. Business Combinations and Goodwill

None.

4. Discontinued Operations

None.

5. Investments – Mortgage Loans, Debt Restructuring, Reverse Mortgages, Loan-Backed Securities, Repurchase Agreements

The Company does not have any mortgage loans, debt restructuring, reverse mortgages or repurchase agreements to report.

The Company's Loan-Backed Securities are reported at amortized cost. The Scientific Prospective method of amortization is applied. A PSA (Public Securities Association) rate of 100 is used to determine prepayment assumptions.

The Company has no impairment losses on real estate to report and does not engage in retail land sales.

6. Joint Ventures, Partnerships and Limited Liability Companies

None.

7. Investment Income

The Company does not exclude any investment income due and accrued.

8. Derivative Instruments

None.

9. Income Taxes

The Company is exempt from Federal income tax under Internal Revenue Code Section 501(c)(4). The Company is also exempt from Michigan Single Business Tax.

Notes to Financial Statement

10. Information Concerning Parent, Subsidiaries and Affiliates

HealthPlus Options, Inc. (HPO) is a wholly owned subsidiary of the Company. HPO began operations in 1990 as a third party administrator. The Company provides administrative services to HPO, and HPO pays the Company a monthly management fee for these services. Those fees amounted to \$4,360,433 in 2006 and \$3,576,285 in 2005. The Company reports its investment in HPO at audited GAAP equity, which amounted to \$782,174 as of December 31, 2006 and is reported on page 2, line 7.

HealthPlus Partners, Inc. (HPP) is a wholly-owned not-for-profit subsidiary of HealthPlus of Michigan, Inc. HPP is a state licensed Health Maintenance Organization serving Medicaid members in the greater Flint and Saginaw regions and began operations on January 1, 2003. The Company reports its investment in HPP at statutory equity, which amounted to \$11,482,333 as of December 31, 2006, and is reported on page 2, line 7. The Company has entered into agreements with HPP for the provision of administrative services. These services amounted to \$12,548,462 in 2006 and \$12,706,781 in 2005.

HealthPlus Insurance Company (HPI) is a wholly-owned for-profit subsidiary of HealthPlus of Michigan, Inc. HPI is a state licensed Health and Life Insurance Company and will begin operations January 1, 2007 offering a PPO product. The Company reports its investment in HPI at statutory equity, which amounted to \$8,662,609 as of December 31, 2006, and is reported as a subsidiary stock investment on Schedule D – Part 6 – Section 1, page E-14.

11. Debt

The Company has no Capital Notes or Other Debts to report.

12. Retirement Plan

A defined contribution plan is provided to substantially all employees of the Company. The Company contributes 7% of participating employees' annual compensation into the benefit plan. Company contributions were approximately \$1,326,000 in 2006 and \$1,225,000 in 2005.

The Company also has a retiree health insurance program. To be eligible, the participant must have retired from active employment, attained the age of 62 and have 15 years of full-time service. The Company currently funds the cost of these benefits as they are incurred.

On December 8, 2003, the Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to certain sponsors of postretirement health care benefit plans that provide a prescription drug benefit to their enrollees. The Company believes its postretirement benefit plan may qualify for subsidy under the Act.

In accordance with Financial Accounting Standards Board (FASB) Staff Position 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, the accumulated postretirement benefit obligation and net periodic postretirement benefit cost do not include the effect of the Act as the Company has elected to defer the accounting for the impact of the Act until pending authoritative guidance is issued. Once issued, such authoritative literature may require the Company to modify previously reported information.

Notes to Financial Statement

The following table sets forth the plan’s funded status and amounts recognized in the consolidated balance sheet for postretirement medical benefits:

	December 31, 2006 <i>(In Thousands)</i>	December 31, 2005 <i>(In Thousands)</i>
Benefit obligation at beginning of year	\$ 10	\$ 24
Interest cost	0	1
Service cost	31	0
Benefit payments	(20)	(10)
Unrecognized actuarial gain	8	(4)
Benefit obligation at end of year	29	10
Unrecognized net actuarial gain	122	136
Accrued postretirement benefit cost	\$ 151	\$ 146

The following is a summary of net periodic postretirement expense:

	Year Ended December 31, 2006 <i>(In Thousands)</i>	Year Ended December 31, 2005 <i>(In Thousands)</i>
Interest cost	\$ 0	\$ 1
Service cost	31	-
Amortization of net actuarial gain	(6)	(7)
Net periodic postretirement cost (income)	\$ 25	\$ (6)

The weighted-average annual assumed rate of increase in the per capita cost of covered health care benefits (i.e., health care cost trend rate) is 9.5% for 2006 and is assumed to decrease 1% per year to 5% in 2010 and remain at that level thereafter. The weighted-average discount rate used in determining the accumulated postretirement obligation was 5.75% at December 31, 2006. The weighted-average discount rate used in determining the net periodic postretirement benefit cost was 5.50% for the years ended December 31, 2006. The Company uses a measurement date of December 31 to measure the obligations.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would not have a material effect on the total service and interest cost components or on the postretirement benefit obligation.

Expected cash flows for the post retirement benefits are as follows (in thousands):

Expected benefit payments for the year ended December 31:	
2007	\$ 15
2008	18
2009	20
2010	24
2011	35
2012 – 2016	255

Notes to Financial Statement

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

The Company has no Shareholder’s Dividend Restrictions or Quasi-Reorganizations to report.

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

- a. change in unrealized gains and losses: \$3,999,699
- b. change in nonadmitted asset values: (\$ 769,031)

Unrealized gains and losses consist of the following:

Unrealized gains/(losses) on Equity Investments - unaffiliated	\$ 740,614
Unrealized gains/(losses) on Equity Investments – affiliated	37,609
Unrealized gains/(losses) on HealthPlus Partners	2,991,615
Unrealized gains/(losses) on HealthPlus Options	<u>229,861</u>
	<u>\$ 3,999,699</u>

14. Contingencies

In the normal course of business, HealthPlus of Michigan is a party to certain legal matters. Management is of the opinion that resolution of these matters will not have a material effect on the Company’s financial position or results of operations.

15. Leases

The Company leases office equipment under various operating lease agreements. The minimum aggregate rental commitments for these leases is as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Operating</u> <u>Leases</u> <u>(in thousands)</u>
2007	\$260
2008	266
2009	267
2010	<u>268</u>
	<u>\$1,061</u>

Total rental expense for all operating leases was approximately \$212,000 in 2006, and \$215,000 in 2005.

16. Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

None.

Notes to Financial Statement

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None.

20. September 11 events

None.

21. Other Items

The Company has no extraordinary items or other disclosures to report.

22. Events Subsequent

There were no events subsequent to the close of the books or accounts for this statement which may have a material effect on the financial condition of the Company.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the Company?

Yes () No (x)

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (x)

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes (x) No ()

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate.

\$ 0.

b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement?

\$ 0.

Notes to Financial Statement

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?
Yes () No (x)

Section 3 – Ceded Reinsurance – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate.
\$ 0.
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?
Yes () No (x)

(3) Uncollectible Reinsurance

None.

C. Commutation of Ceded Reinsurance

None.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

HealthPlus provides health coverage to federal employees under the Federal Employees Health Benefits Program (FEHBP) and is subject to rate redetermination. This program represents 1,600 members and \$6.2 Million of premium revenue to the Company on an annual basis which represents approximately 1.5% of total 2006 premium revenues. Under the terms of the contract with the Office of Personnel Management (OPM) HealthPlus is to provide health coverage at the lowest rate charged to Similar Sized Subscriber Groups (SSSG). For the contract year 2006 the Company has reserved \$300,000 for rate redetermination.

OPM audited the HealthPlus FEHBP program for the six years ended December 31, 2005 and issued a Draft of a Proposed Report in January, 2007. The Report alleges that HPM charged premiums \$5.5 Million in excess of the lowest rates for SSSG during the period. Interest would also be assessed in addition any settlement amount. Management along with their actuarial and legal advisors on this matter believe that there may be exposure for excess premiums but have estimated this exposure to be a different amount than that estimated in the Report. The Company has asked to inspect the auditor work papers and will contest the allegation.

Any finding that is sustained in this matter is subject to risk sharing provisions in the contracts that HPM had during this period with its provider partners. These provisions mitigate the financial exposure to the Company. Management estimates that the Company's obligation will approximate \$3.5 Million, net of risk sharing and has provided a reserve for this amount in the financial statements as of December 31, 2006. Interest has also been accrued.

Notes to Financial Statement

HealthPlus provides Medicare Part D prescription coverage through an MA-PD Plan to certain Medicare members enrolled in the Company’s Medicare Advantage program. As a condition of participation in the Medicare Part D prescription program, the Company is subject to risk sharing with the Centers for Medicare and Medicaid Services (CMS) on any difference between the Company’s premium bid and actual prescription costs.

Management along with their actuarial advisors performed an analysis which determined that premiums received exceeded actual prescription costs for the Year Ended December 31, 2006. As a result of this analysis the Company recorded an estimated settlement liability to CMS of \$1,200,000 with a corresponding charge to premiums. Any resulting settlement with CMS will be subject to the risk sharing provisions in the contracts that HPM had during this period with its provider partners.

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves for incurred claims attributable to insured events of prior years has been increased (decreased) by (\$2,525,459) in 2006 and (\$1,862,702) in 2005 as a result of re-estimation of unpaid claims. This increase (decrease) is the result of ongoing analysis and original estimates are increased or decreased as additional information becomes known.

26. Intercompany Pooling Arrangements

None.

27. Structured Settlements

Not applicable.

28 Health Care Receivables

(a) Pharmaceutical Rebate Receivables

Pharmaceutical rebate receivables consist of actual amounts billed for the previous quarter, based on actual prescriptions filled, and estimates of rebates for the current quarter. Estimated rebates are based primarily on historical trends.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation
12/31/2006	1,303,300	0	0	0	0
09/30/2006	863,695	1,304,894	441,199	0	0
06/30/2006	1,353	1,362,547	1,140,405	220,789	0
03/31/2006	1,195	1,374,157	1,182,451	190,511	0
12/31/2005	0	1,610,968	1,593,764	17,204	0
09/30/2005	0	1,366,861	1,186,281	180,580	0
06/30/2005	0	1,362,998	1,095,701	267,297	0
03/31/2005	0	1,337,680	1,283,275	54,405	0
12/31/2004	0	1,423,041	1,244,704	178,337	0
09/30/2004	0	1,340,487	843,580	496,907	0
06/30/2004	0	1,289,412	780,681	508,731	0
03/31/2004	0	1,225,647	1,015,893	206,586	3,168
12/31/2003	0	1,130,077	351,149	778,928	0
09/30/2003	0	1,087,514	390,685	696,829	0
06/30/2003	0	1,031,511	412,202	614,782	4,527
03/31/2003	0	827,354	225,552	468,861	132,941

Notes to Financial Statement

(b) Risk Sharing Receivables

The Company has agreements, which provide the basis of payments to different provider groups for the delivery of health care services. The groups include hospitals, physician hospital organizations, and physicians. The agreements include provisions for the sharing of surplus or deficits calculated by the comparison of total expense to funding reported for the Company’s members served by the physicians affiliated with each contracting provider group. The funding levels are primarily based on a percentage of the premium, which the Company receives for providing health insurance coverage to employer groups. Certain of these providers have entered into separate agreements with affiliated hospitals to share any surplus or deficit associated with services to physician members.

The following table details risk sharing receivables recorded in accordance with the provisions of the aforementioned agreements.

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated And Reported in the Prior Year	Risk Sharing Receivable as Estimated And Reported in the Current Year	Risk Sharing Receivable Invoiced	Risk Sharing Receivable Not Invoiced	Actual Risk Sharing Amounts Collected in Year Invoiced	Actual Risk Sharing Amounts Collected First Year Subsequent	Actual Risk Sharing Amounts Collected Second Year Subsequent	Actual Risk Sharing Amounts Collected – All Other
2006	2006	0	942,152	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0	0
2005	2005	0	2,052,513	2,052,513	0	2,052,513	0	0	0
	2006	0	0	0	0	0	0	0	0
2004	2004	0	2,238,138	2,238,138	0	2,238,138	0	0	0
	2005	0	0	0	0	0	0	0	0
2003	2003	0	3,238,601	3,238,601	0	3,238,601	0	0	0
	2004	0	0	0	0	0	0	0	0
2002	2002	0	3,487,444	3,487,444	0	3,487,444	0	0	0
	2003	0	0	0	0	0	0	0	0

29. Participating Policies

None.

30. Premium Deficiency Reserves

None.

31. Salvage and Subrogation

The Company has not specifically identified any anticipated salvage and subrogation amounts in its calculation of loss reserves.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities	700,369	0.523	700,369	0.523
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies				
1.22	Issued by U.S. government sponsored agencies	1,179,730	0.882	1,179,730	0.882
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43	Revenue and assessment obligations				
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA				
1.512	Issued or Guaranteed by FNMA and FHLMC				
1.513	All other				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523	All other				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,608,361	1.202	1,608,361	1.202
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds	10,402,776	7.774	10,402,776	7.774
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated	46,246	0.035	46,246	0.035
3.4	Other equity securities:				
3.41	Affiliated	8,662,609	6.474	8,662,609	6.474
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
4.6	Mezzanine real estate loans				
5.	Real estate investments:				
5.1	Property occupied by company	5,469,427	4.087	5,469,427	4.087
5.2	Property held for production of income (including \$.....0 of property acquired in satisfaction of debt)				
5.3	Property held for sale (including \$.....0 property acquired in satisfaction of debt)				
6.	Contract loans				
7.	Receivables for securities				
8.	Cash, cash equivalents and short-term investments	93,482,252	69.859	93,482,252	69.859
9.	Other invested assets	12,264,507	9.165	12,264,507	9.165
10.	Total invested assets	133,816,277	100.000	133,816,277	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
Michigan
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[X] No[]
- 2.2 If yes, date of change:

10/26/2006
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/16/2005
- 3.4 By what department or departments?
Department of Labor & Economic Growth, Office of Financial & Insurance Services, Office of Financial Evaluation
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?

Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP Suite 1700, 500 Woodward, Detroit, MI, 48226
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Michael J. Cellini, ASA, MAAA, Ernst & Young, LLP, 5 Times Square, New York, NY, 10036
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value

\$ 0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)
BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[] No[X]
14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

\$ 0

\$ 0

\$ 0
- 16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

\$ 0

\$ 0

\$ 0
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

\$ 0

\$ 0

\$ 0

\$ 0
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]
- 18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

18.22 Amount paid as expenses

18.23 Other amounts paid

\$ 0

\$ 0

\$ 0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[]
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 0

INVESTMENT

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes[X] No[]
- 20.2 If no, give full and complete information, relating thereto:
- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes[] No[X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$ 0

\$ 0

\$ 0

\$ 0

\$ 0

\$ 0

\$ 0

\$ 0

\$ 0
- 21.3 For category (21.28) provide the following:
- | 1 | 2 | 3 |
|-----------------------|-------------|--------|
| Nature of Restriction | Description | Amount |
| | | |
- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[] No[X]
- 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes[] No[] N/A[X]
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year.

\$ 0
24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]
- 24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- | 1 | 2 |
|---------------------------------------|---|
| Name of Custodian(s) | Custodian's Address |
| JP Morgan Asset Management | 611 Woodward Avenue, Detroit, MI, 48226 |
| Citizens Bank Wealth Management | 328 S. Saginaw Street, Flint, MI 48502 |
- 24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:
- | 1 | 2 | 3 |
|---------|-------------|-------------------------|
| Name(s) | Location(s) | Complete Explanation(s) |
| | | |

GENERAL INTERROGATORIES (Continued)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes[] No[X]
24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

24.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
111223	CB Wealth Management	328 S. Saginaw St., Flint, MI 48502
104234	JP Morgan Asset Management	611 Woodward Ave., Detroit, MI, 48226

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[X] No[]
25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.... 4812C1553	JPMorgan Equity Index Fund .....	..... 1,645,436
.... 4812C0381	JPMorgan Core Bond Fund .....	..... 2,278,332
.... 922031794	Vanguard Fixed Inc. Sec Fd GNMA #536 .....	..... 1,857,302
.... 922040100	Vanguard Instl Index Fd .....	..... 4,621,706
25.2999 Total .....		..... 10,402,776

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
JPMorgan Equity Index Fund	Exxon-Mobil Corp. ....	..... 57,590 ..	12/31/2006 ..
JPMorgan Equity Index Fund	General Electric Co. ....	..... 49,363 ..	12/31/2006 ..
JPMorgan Equity Index Fund	Citigroup, Inc. ....	..... 34,554 ..	12/31/2006 ..
JPMorgan Equity Index Fund	Microsoft Corp. ....	..... 32,909 ..	12/31/2006 ..
JPMorgan Equity Index Fund	Bank of America Corp. ....	..... 31,263 ..	12/31/2006 ..
JPMorgan Core Bond Fund	US Treasury Notes .....	..... 34,175 ..	12/31/2006 ..
JPMorgan Core Bond Fund	US Treasury Bonds .....	..... 31,897 ..	12/31/2006 ..
JPMorgan Core Bond Fund	US Treasury Bonds Coupon STRIPS .....	..... 29,618 ..	12/31/2006 ..
JPMorgan Core Bond Fund	US Treasury Bonds .....	..... 20,505 ..	12/31/2006 ..
JPMorgan Core Bond Fund	FHLMC Gold Pool .....	..... 18,227 ..	12/31/2006 ..
Vanguard Fixed Inc. Sec Fd GNMA #536	GNMA 5.5% .....	..... 776,352 ..	12/31/2006 ..
Vanguard Fixed Inc. Sec Fd GNMA #536	GNMA 6.0% .....	..... 507,043 ..	12/31/2006 ..
Vanguard Fixed Inc. Sec Fd GNMA #536	GNMA 5.0% .....	..... 328,742 ..	12/31/2006 ..
Vanguard Fixed Inc. Sec Fd GNMA #536	GNMA 6.5% .....	..... 111,438 ..	12/31/2006 ..
Vanguard Fixed Inc. Sec Fd GNMA #536	GNMA 7.0% .....	..... 35,289 ..	12/31/2006 ..
Vanguard Instl Index Fd	Exxon-Mobil Corp. ....	..... 161,760 ..	12/31/2006 ..
Vanguard Instl Index Fd	General Electric Co. ....	..... 138,651 ..	12/31/2006 ..
Vanguard Instl Index Fd	Citigroup, Inc. ....	..... 97,056 ..	12/31/2006 ..
Vanguard Instl Index Fd	Microsoft Corp. ....	..... 92,434 ..	12/31/2006 ..
Vanguard Instl Index Fd	Bank of America Corp. ....	..... 87,812 ..	12/31/2006 ..

26. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds .....	..... 3,488,460	..... 3,508,000	..... 19,540
26.2 Preferred stocks .....	.....	.....	.....
26.3 Totals .....	..... 3,488,460	..... 3,508,000	..... 19,540

26.4 Describe the sources of methods utilized in determining the fair values
Fair values are provided by the Company's investment custodians.

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]
27.2 If no, list exceptions:

GENERAL INTERROGATORIES (Continued)
OTHER

28.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 117,150
28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	55,000
American Health Insurance Plans	62,150

29.1 Amount of payments for legal expenses, if any? \$ 183,907
29.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
The Williams Firm	51,408

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 0
30.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]

1.2 If yes, indicate premium earned on U.S. business only:

\$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding:

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies - Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

..... 0

1.7 Group policies - Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

..... 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator	402,271,797	389,252,895
2.2	Premium Denominator	402,271,797	389,252,895
2.3	Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4	Reserve Numerator	68,420,294	59,739,368
2.5	Reserve Denominator	68,420,294	59,739,369
2.6	Reserve Ratio (2.4 / 2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes[X] No[]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive Medical

\$ 1,100,000

5.32 Medical Only

\$ 0

5.33 Medicare Supplement

\$ 0

5.34 Dental

\$ 0

5.35 Other Limited Benefit Plan

\$ 0

5.36 Other

\$ 875,000

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Provider contracts provide for continuation of services and hold-harmless language. An insolvency rider is also in place.

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes[X] No[]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

..... 1,607

8.2 Number of providers at end of reporting year

..... 2,548

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

..... 0

9.22 Business with rate guarantees over 36 months

..... 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$ 0

10.22 Amount actually paid for year bonuses

\$ 12,640,688

10.23 Maximum amount payable withholds

\$ 7,584,637

10.24 Amount actually paid for year withholds

\$ 4,327,504

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes[] No[X]

11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]

11.14 A Mixed Model (combination of above)?

Yes[X] No[]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]

11.3 If yes, show the name of the state requiring such net worth.
Michigan

11.4 If yes, show the amount required.

\$ 31,940,462

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]

11.6 If the amount is calculated, show the calculation.
The greater of \$1,500,000, four percent of subscription revenue, three month's uncovered expenditures or RBC after covariance.

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Arenac County, MI
Bay County, MI
Saginaw County, MI
Tuscola County, MI
Shiawassee County, MI
Genesee County, MI
Lapeer County, MI
Oakland County, MI

GENERAL INTERROGATORIES (Continued)

1
Name of Service Area
Livingston County, MI
Clare County, MI
Portions of Sanilac County, MI
Portions of Huron County, MI
Portions of Midland County, MI
Portions of St. Clair County, MI
Portions of Gladwin County, MI
Portions of Isabella County, MI
Portions of Gratiot County, MI
Portions of Montcalm County, MI

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	140,233,485	114,252,546	91,123,867	81,546,425	82,375,089
2. Total liabilities (Page 3, Line 22)	82,078,362	69,345,942	57,685,994	52,985,193	57,458,303
3. Statutory surplus	31,940,462	15,570,116	14,615,243	13,144,091	15,806,992
4. Total capital and surplus (Page 3, Line 31)	58,155,123	44,906,604	33,437,873	28,561,232	24,916,786
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	402,271,797	389,252,895	365,381,075	328,602,269	401,917,061
6. Total medical and hospital expenses (Line 18)	358,706,275	350,236,408	333,828,994	302,129,822	371,801,984
7. Claims adjustment expenses (Line 20)	10,810,102	8,441,249	6,415,133	5,642,167	
8. Total administrative expenses (Line 21)	26,637,196	22,248,960	19,452,340	17,026,205	29,492,759
9. Net underwriting gain (loss) (Line 24)	6,118,224	8,326,278	5,684,608	3,804,075	(791,089)
10. Net investment gain (loss) (Line 27)	3,867,286	2,502,913	1,199,992	1,096,009	1,542,033
11. Total other income (Lines 28 plus 29)	32,341	28,156	36,146	29,159	38,031
12. Net income or (loss) (Line 32)	10,017,851	10,857,347	6,920,746	4,929,243	788,975
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	58,155,123	44,906,604	33,437,873	28,561,232	24,916,786
14. Authorized control level risk-based capital	15,970,231	15,276,403	14,304,774	13,088,051	11,598,572
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	93,935	99,269	103,266	107,616	163,673
16. Total members months (Column 6, Line 7)	1,145,557	1,208,409	1,258,910	1,287,996	1,962,261
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19) ..	89	90	91	92	94
19. Cost containment expenses	2	1	1	X X X	X X X
20. Other claims adjustment expenses	1	1	1		
21. Total underwriting deductions (Line 23)	98	98	98	99	102
22. Total underwriting gain (loss) (Line 24)	2	2	2	1	0
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5)	51,960,649	39,045,857	39,410,873	49,759,802	42,774,689
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	54,541,377	41,512,276	39,976,971	50,315,687	44,783,127
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2)	8,662,609				
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated	12,264,507	9,043,033	7,898,071	7,295,785	415,620
31. Total of above Lines 25 to 30	20,927,116	9,043,033	7,898,071	7,295,785	415,620

SCHEDULE D - SUMMARY BY COUNTRY
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	1,880,099	1,882,156	1,876,670	1,900,000
	2.	Canada				
	3.	Other Countries				
	4.	Totals	1,880,099	1,882,156	1,876,670	1,900,000
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States				
	10.	Canada				
	11.	Other Countries				
	12.	Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States				
	14.	Canada				
	15.	Other Countries				
	16.	Totals				
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	1,608,361	1,625,843	1,612,433	1,600,000
	22.	Canada				
	23.	Other Countries				
	24.	Totals	1,608,361	1,625,843	1,612,433	1,600,000
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	3,488,460	3,507,999	3,489,103	3,500,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States				
	36.	Canada				
	37.	Other Countries				
	38.	Totals				
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States	46,246	46,246	43,822	
	46.	Canada				
	47.	Other Countries				
	48.	Totals	46,246	46,246	43,822	
Industrial and Miscellaneous (unaffiliated)	49.	United States	10,402,775	10,402,775	9,084,428	
	50.	Canada				
	51.	Other Countries				
	52.	Totals	10,402,775	10,402,775	9,084,428	
Parent, Subsidiaries and Affiliates	53.	Totals	8,662,609	8,662,609	8,625,000	
	54.	Total Common Stocks	19,111,630	19,111,630	17,753,250	
	55.	Total Stocks	19,111,630	19,111,630	17,753,250	
	56.	Total Bonds and Stocks	22,600,090	22,619,629	21,242,353	

SCHEDULE D - Verification Between Years
Bonds and Stocks

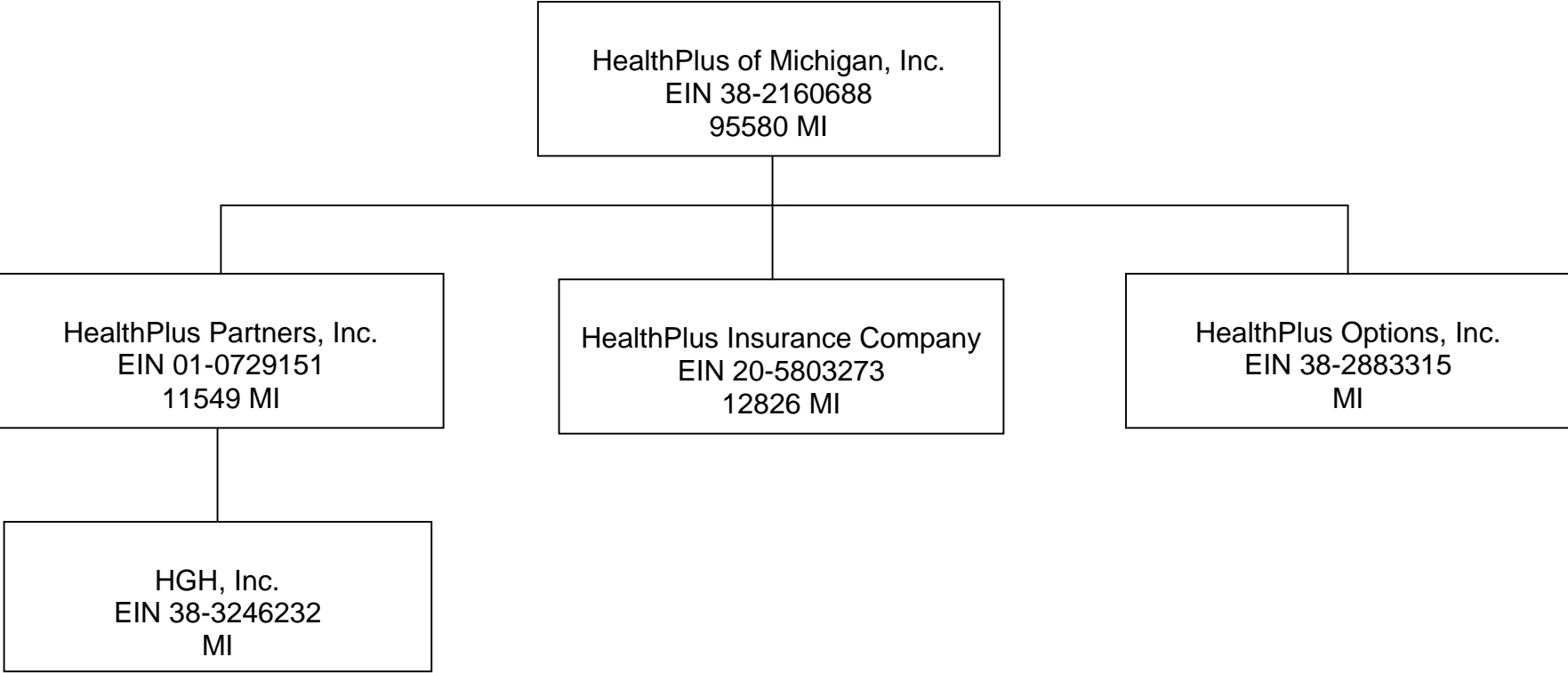
1. Book/adjusted carrying value of bonds and stocks, prior year	12,335,295	7. Amortization of premium.....	2,567
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	10,151,825	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	2,635	8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Column 15 - 17, Part 2, Section 1....		8.4 Column 15, Part 4.....	
4.3 Column 15, Part 2, Section 2.....	801,594	9. Book/adjusted carrying value at end of current period.....	22,600,090
4.4 Column 11 - 13, Part 4.....	(23,371) 778,223	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	(13,007)	11. Subtotal (Lines 9 plus 10).....	22,600,090
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted assets.....	
Column 7, Part 4.....	652,314	13. Statement value of bonds and stocks, current period.....	22,600,090

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
ALLOCATED BY STATES AND TERRITORIES

		1	2	Direct Business Only					
				3	4	5	6	7	8
State, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/ Casualty Premiums
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	Yes	353,749,794	44,262,888		4,515,584		
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	No						
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Northern Marianas Islands (MP)	No	No						
57.	Canada (CN)	No	No						
58.	Aggregate other alien (OT)	X X X	X X X						
59.	Subtotal	X X X	X X X	353,749,794	44,262,888		4,515,584		
60.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
61.	TOTAL (Direct Business)	X X X	(a) 1	353,749,794	44,262,888		4,515,584		
DETAILS OF WRITE-INS									
5801.		X X X	X X X						
5802.		X X X	X X X						
5803.		X X X	X X X						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X	X X X						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



33.33% ownership. Under dissolution.